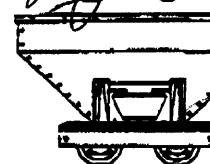
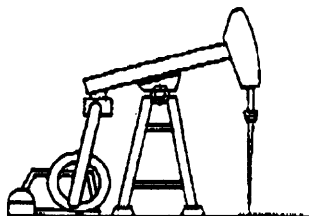


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UTAH STATE OFFICE

DIVISION OF LANDS & MINERALS

TELEFAX NO. (801) 539-4200



TELEFAX MESSAGE

TO:

Pam Grubbaugh-Littig

FROM:

M'Kenzie

DATE:

10 Dec 2002

COMMENTS:

FAX NO:

359-3940

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United States Department of the Interior

BUREAU OF LAND MANAGEMENT

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IN REPLY REFER TO:

3483.3
U-087805 et al
(UT-942)

NOV 14 2002

DECISION of SUSPENSION

UtahAmerican Energy, Inc.	:	LMU: UTU-73516
P.O. Box 986	:	Leases: SL-066490,
Price, Utah 84501	:	U-014218, U-0126947,
		U-014217, SL-069291,
		and SL-066145

Granted -- Suspension of Leases

On 15 January 2002, Utah American Energy, Inc. (UEI) submitted an application for suspension of operations and production for Logical Mining Unit (LMU): UTU-73516 (comprised of leases: SL-066490, U-014218, U-0126947, U-014217, SL-069291, and SL-066145).

The following summarizes the history and recent activity concerning these leased coal lands:

- Year leases issued:
 - 1947: U-066490 and U-066145
 - 1950: U-069291
 - 1955: U-014218
 - 1963: U-0126947
- 1998
Leases acquired by UEI as part of a larger transaction.
- March 1999
BLM approval of the R2P2 (Resource Recovery and Protection Plan).

- 27 October 2000
BLM approval of right-of-way applications (UTU-76614, UTU-76616, UTU-76617, and UTU-77122).
- 27 July 2001
DOGM (Utah Division of Oil Gas and Mining) approved the revised "Horse Canyon Reclamation Plan," ACT/007/013. (Now known as the "Lila Canyon Mining and Reclamation Plan.")
- 4 September 2001
SUWA (Southern Utah Wilderness Alliance) appeal of the Lila Canyon Mine Permit before Utah Board of Oil, Gas & Mining filed 4 September 2001 (Docket No. 2002-027).
- 11 December 2001
BLM issued notice to proceed with surface facilities right-of-way, with stipulations.
- 14 December 2001
Utah Board of Oil, Gas & Mining remanded the permit decision to DOGM.
- 14 December 2001
DOGM remand of permit to mine.

UEI cannot proceed with mine development or production due to appeals and actions beyond the scope of UEI's control. Further, UEI has continued to pursue options to gain necessary permits to begin mine development followed by production.

If a suspension is not granted, the lessee could lose the leases if the appeal delay is long enough to result in not meeting the due diligent development requirements. This would occur through no fault of the lessee and would result in a loss to the lessee of the exploration, business development expenses, and the original bonus bid without the possibility of recovery.

Such a loss, due to not granting a suspension, would result in lower valuations of future coal leases based on the increased risk. This in turn would lead to one or more of the following:

- Potential operators will avoid these and other coal reserves which are deemed to be in an area of possible future litigation or near-litigation due any number of actions delaying beneficial use.

- Due to the sweeping nature of such appeals, buffer zones will be used by interested operators sterilizing the energy potential of larger areas than eventually contested for this reserve and others.
- Future bonus bids will be hampered by the higher risk of apparent random appeals and resulting delays that adversely impact the time-value of up front investments of time and money.

The increased risk and opportunity cost will be reflected in higher future energy costs – a "hidden tax." This is in addition to the potential loss to the American people of valued energy resources. Granting a suspension reduces the risk incurred. However, even with a granting of suspension, the lessee has a real time-value-of-money cost for the development costs incurred to date.

Therefore, in accordance with the authority granted to the Secretary by the Mineral Leasing Act (MLA), and pursuant to the regulations in 43 CFR 3483.3 (b) and Interior Board of Land Appeals (IBLA) decision *5M, Inc.*, 148 IBLA 36,41 (Mar. 17, 1999)¹, and in accordance with the authority granted to the Bureau of Land Management (BLM), a MLA Section 39 suspension of operations and production is hereby granted "...in the interest of conservation..." to UtahAmerican Energy, Inc., as lessee of record for Federal coal leases: SL-066490, U-01428, U-0126947, U-014217, SL-069291, SL-066145; which are included in a logical mining unit (LMU: UTU-73516).

The granting of this suspension of operations and production is effective 4 September 2001, and will continue until 15 days after the final court decision of the SUWA appeal dated 4 September 2001. The granting of this suspension of operations and production is subject to the attached stipulations, which are made part of this approval.

/S/ Linda S. Colville

ACTING

State Director

Attachment: Stipulations of Approval

As referenced in "UtahAmerican Energy, Inc. – Application for Lease Suspension – LMU Serial NO. UTU-73516:

(1) where, through some act, omission, or delay by a federal agency, beneficial use of the lease has been precluded, such as where delays imposed on the lessee due to administrative actions addressing environmental concerns have the effect of denying the lessee "timely access" to the property; or (2) in the interest of conservation, e.g., to prevent damages to the environment.

5M, Inc., IBLA 36, 41 (Mar. 17, 1999) citing *Alfred G. Hoyl*, 123 IBLA 160, 190-91, aff'd, 129 F.3d 1377 (10th Cir. 1997)

APPROVAL STIPULATIONS
of the
SUSPENSION of OPERATIONS and PRODUCTION
Under Section 39 of the Mineral Leasing Act
for
Federal Coal Leases
SL-066490, U-014218, U-0126947,
U-014217, SL-069291, and SL-066145
Forming LMU: UTU-73516

SUSPENSION APPROVAL DECISION

In accordance with the authority granted to the Secretary by the Mineral Leasing Act (MLA), and pursuant to the regulations in 43 CFR 3483.3 (b) and Interior Board of Land Appeals (IBLA) decision *5m, Inc.*, 148 IBLA 38,41 (Mar. 17, 1999)¹, and in accordance with the authority granted to the Bureau of Land Management (BLM), an MLA Section 39 suspension of operations and production is hereby granted "in the interest of conservation" to UtahAmerican Energy, Inc., as lessee of record for Federal coal leases: SL-066490, U-01428, U-0126947, U-014217, SL-069291, SL-066145; which are included in a logical mining unit (LMU: UTU-73516).

The granting of this suspension of operations and production is effective 4 September 2001, and will continue until 15 days after the final court decision of the SUWA appeal dated 4 September 2001. The granting of this suspension of operations and production is subject to the following stipulations, which are made part of the approval.

Stipulations of this SUSPENSION APPROVAL DECISION

This approved Section 39 of MLA suspension of operations and production is subject to the following conditions:

1. No existing buildings, facilities, structures, or other improvements, if any exist, shall be removed from the above referenced Federal leases without the prior written permission of the BLM

As referenced in "UtahAmerican Energy, Inc. - Application for Lease Suspension - LMU Serial NO. UTU-73516:

(1) where, through some act, omission, or delay by a federal agency, beneficial use of the lease has been precluded, such as where delays imposed on the lessee due to administrative actions addressing environmental concerns have the effect of denying the lessee "timely access" to the property; or (2) in the interest of conservation, e.g., to prevent damages to the environment.

5M, Inc., IBLA 36, 41 (Mar. 17, 1999) citing *Alfred G. Hoyl*, 123 IBLA 160, 190-91, aff'd, 129 F.3d 1377 (10th Cir. 1997)

2. The lessee shall not have beneficial use of the Federal coal leases for the duration of this approved MLA Section 39 suspension of operations and production.

- a. Beneficial use includes, but is not limited to: any activity related to or preparatory for mining of Federal coal from a lease, including:
- i. development, including surface, or processing, facility construction;
 - ii. mining, including mineral haulage, road and/or power-line, fuel transfer and electrical generation or transmissions;
 - iii. beneficiation, concentration, and processing of material mined; and/or
 - iv. Federal coal production and/or disposal by sale or otherwise.

Please note:

Generally, actions approved by BLM as required or necessary to maintain a mine in a suspended condition to avoid damage to other resources, to conserve the leased resource, or to ensure safety do not constitute beneficial use of the lease.

For example, the following are not categorized as beneficial use:

- i. The lessee obligation to conduct reclamation and to maintain mine integrity;
 - ii. The ventilation of non-producing areas;
 - iii. The extraction of Federal coal and other actions to prevent ignition to prevent fires by ignition of combustible materials or by spontaneous combustion;
 - iv. Activities necessary to extinguish mine fires;
 - v. To correct hazardous mine conditions;
 - vi. To de-water mine works; and/or
 - vii. Activities necessary to ensure the health and safety of the miners or the public.
- b. This approved Section 39 of MLA suspension of operations and production shall not preclude either casual use of the Federal coal leases or casual or beneficial use of any adjoining, non-Federal coal leases of the lessee, including the use of those adjoining premises, if any, for facilities, testing, and development. Casual use includes activities that do not ordinarily lead to any appreciable disturbance of or impacts to lands, resources, or improvements (for example: surveying).

3. This Section 39 of MLA suspension of operations and production may be terminated by the BLM, for justifiable cause, at any time following written notice to the lessee, and shall be terminated by the BLM on the first day of the calendar month during which one of the following occurs:
- a. Beneficial use of one or more of the Federal coal leases(s) or LMU(s) recommences;
 - b. The lessee does not provide annual certification from the effective date of this approval (which is 4 September 2001) that the conditions that warranted the suspension continue to exist; or
 - c. Thirty days have elapsed and the lessee fails to:
 - i. Comply with a notice of non-compliance with any terms of the lease(s) or the LMU(s) and/or with this Section 39 of MLA suspension of operations and production decision; or
 - ii. Correct the conditions that resulted in a notice of noncompliance with the lease terms and/or with this Section 39 of MLA suspension of operations and production decision; or
 - iii. Submit a request for extension of time within which to correct the situation of noncompliance with the leases terms and/or with this Section 39 of MLA suspension of operations and production decision; or
 - iv. Respond to directives from the State of Utah Division of Oil Gas and Mining to correct deficiencies in the Federal Mine Permit Application.
 - d. UEL transfers controlling record title interest in the lease(s); or
 - e. The lessee files a request for termination of this suspension; or
 - f. The lessee files for relinquishment of the lease(s) and/or the LMU(s).
4. Upon the effective date of expiration or termination of the approved Section 39 of MLA suspension of operations and production, all suspended terms and conditions shall be immediately in full force and effect.

5. This approved Section 39 of MLA suspension of operations and production relieves the lessee from paying annual rentals for these lease(s).
6. The individual lease terms will be extended for a time equivalent to the duration of this approved Section 39 of MLA suspension of operations and production, commencing on the effective date of the approval of this Section 39 of MLA suspension of operations and production.
7. The lessee shall provide the BLM authorized officer open access to the Federal lands for monitoring casual use.